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Comprehensive integrated tax
coordination agreement between
The Government of Canada and
the Government of X

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COMPREHENSIVE INTEGRATED TAX COORDINATION AGREEMENT

BETWEEN

THE GOVERNMENT OF CANADA

AND

THE GOVERNMENT OF X

Copies of the Annexes referred to
in this Agreement are available at the
Department of Finance Distribution Centre,
telephone: (613) 995-2855.



COMPREHENSIVE INTEGRATED TAX COORDINATION AGREEMENT

BETWEEN:

The Government of Canada, represented by the Minister of Finance, hereinafter referred to as "Canada"

AND:

The Government of **X**, represented by the Minister of Finance, hereinafter referred to as the "Province",

TOGETHER referred to as the "parties" hereto.

WHEREAS:

The parties agree that a number of federal and provincial taxes should be subject to a single administration;

The parties wish to build upon the existing federal and provincial tax collection measures;

An integrated sales tax system would be economically efficient and would enhance the collection of revenues while reducing administrative duplication and costs, simplify compliance for business and promote federal-provincial fiscal co-operation and harmonization; and,

The parties recognize the needs of governments to maintain a tax system which is responsive to the citizens and business community and preserves the accountability of federal and provincial finance Ministers;

NOW THEREFORE, Canada and the Province agree as follows:

INTERPRETATION

PART I

1. In this Agreement,

"Agreement" means this agreement, including the Annexes hereto, a similar agreement between Canada and another province, or a successor agreement to this agreement;

"CVAT" means the value-added tax, or that portion of the tax, imposed under Part IX of the *Excise Tax Act* in respect of property and services supplied in or imported into Canada, and that generally applies to both a participating province and a non-participating province;

Excise Tax Act means the *Excise Tax Act*, S.C. 1985, c. E-15, as amended from time to time;

"harmonized sales taxes" means the CVAT and the PVAT;

"harmonized sales tax rate" means the aggregate of the tax rates under the CVAT and the PVAT;

"non-participating province" means a province, other than a participating province, which is not a party to the Agreement;

"participating provinces" means the provinces of Newfoundland, Nova Scotia, and New Brunswick, and such other provinces as may join in the Agreement from time to time; and

"PVAT" means a value-added tax, or that portion of the tax, substantially the same as the CVAT and that is imposed in respect of property and services supplied in or imported or brought into a participating province and that would not apply if the property or services were supplied in or imported or brought into a non-participating province.

2. Unless otherwise specified herein, words or expressions used in this Agreement have the same meaning as in Part IX of the *Excise Tax Act*.

TAX POLICY

PART II

3. Canada and the Province, together with the other participating provinces, will establish a Tax Policy Review Committee, which shall review issues related to the legislation governing the harmonized sales taxes, including the common tax base, tax rates, tax structure, and tax inclusive pricing mechanisms, and provide timely advice to Ministers as appropriate.
4. The Minister of Finance (Canada) and the Minister of Finance of the Province shall each appoint one member to the Tax Policy Review Committee to serve from time to time.
5. Canada will chair the meetings of the Tax Policy Review Committee.

6. The Tax Policy Review Committee shall meet no less frequently than twice in each twelve calendar month period.
7. Results of the deliberations of the Tax Policy Review Committee shall be communicated by the Committee to the Deputy Minister of Finance (Canada) and his or her designated counterparts in the Province and the other participating provinces.
8. The Tax Policy Review Committee may, in its discretion, establish special working groups to consider issues or matters related to the mandate of the Committee as set forth under clause 3.
9. The Tax Policy Review Committee shall establish a Revenue Allocation Sub-Committee which will monitor the on-going application of the revenue allocation mechanism set forth in Annex "A" to ensure that it is functioning as intended and to determine any needed changes to the revenue allocation mechanism. The Revenue Allocation Sub-Committee will meet at least once a year or at the request of the Tax Policy Review Committee.
10. Where the Tax Policy Review Committee cannot reach consensus in respect of an issue under its review, such issue shall be referred to the Deputy Minister of Finance (Canada) and his or her counterpart with the Province and the other participating provinces.
11. Where an issue referred to Deputy Ministers under clause 10 remains unresolved, the issue shall be referred to the dispute resolution process as set forth in Part XIV.
12. At the request of any party made within three years of the effective date of the implementation of the harmonized sales taxes, and in any case every five years following the implementation date of the harmonized sales taxes, the parties will review the harmonized tax system and its operation and administration with a view to improving the system.

HARMONIZED TAX RATE

PART III

Common Rate

13. The Province agrees that as one of the participating provinces, any amendment to the PVAT rate will be identical as between all participating provinces so as to maintain a common PVAT rate and that any change to the PVAT rate will be implemented simultaneously for the participating provinces.

14. The Province agrees that, as one of the participating provinces, any decision as between the participating provinces to propose an increase to the PVAT rate will require a simple majority of such provinces.
15. Where Canada or the Province (together with the other participating provinces) proposes a change to the harmonized sales tax rates such party shall give notice of the proposal in writing to the other party and the other participating provinces, which notice shall indicate a proposed effective date for such change not less than two months and not more than six months from the date of the notice.

Rate Decrease

16. The Province agrees that, as one of the participating provinces, any reduction in the common PVAT rate will require the unanimous approval of all participating provinces.

Rate Increase

17. The Province agrees that the PVAT rate will not be subject to any increase during the four year period commencing on the effective date of the PVAT.
18. For the purposes of this Part the base rates of the CVAT or the PVAT are those in effect as of the effective date of the PVAT, or those as may be constituted under clause 27, from time to time.
19. Neither the CVAT nor the PVAT rate may be increased otherwise than in accordance with the provisions of this Part.
20. Any increase in the base rate of either the CVAT or the PVAT, at a particular time, will be limited to increments of one-half of one percent only, at that time.
21. Where Canada proposes to increase the tax rate under the CVAT, notice shall be given to that effect to the Province and the other participating provinces.
22. Where the participating provinces propose a change in the PVAT rate, in accordance with this Agreement, the Province shall announce such change in the Legislature of the Province if the Legislature is then sitting, and if it is not sitting, by other public announcement, given on or before the proposed effective date of the change and a copy of such notice shall be provided to Canada by the Province.

23. Where only the CVAT rate has been increased from the base rate, the rate of that tax will not be further increased if, within two months of the notice received from Canada under clause 15, notice is given to Canada by the Province to the effect that the Province, in conjunction with the other participating provinces, has agreed upon an increase in the rate of the PVAT from the base rate.
24. Where only the rate of the PVAT has been increased from the base rate, the rate of that tax will not be further increased if, within two months of the notice received from the Province and the other participating provinces under clause 15, notice is given to the Province by Canada to the effect that it proposes to increase the rate of the CVAT from the base rate.
25. Where the rate of the CVAT has been raised from the base rate, successively, by two increments of one-half of one percent, the CVAT rate will not be further increased unless the rate of the PVAT has been increased from the base rate.
26. Where the rate of the PVAT has been raised from the base rate, successively, by two increments of one-half of one percent, the PVAT rate will not be further increased until the rate of the CVAT has been increased from the base rate.
27. Where both the rate of the CVAT and the PVAT have been increased, the new rates then in effect shall constitute the base rate of the CVAT and the PVAT, respectively.
28. Notwithstanding the provisions of this Part, neither the CVAT rate nor the PVAT rate shall be increased if such increase would result in a change in the difference between the base rate of each tax that is more than one percentage point.
29. Where either the rate of the CVAT or the PVAT is reduced, that reduced rate shall not affect the base rate for that tax.
30. The provisions of this Agreement governing changes to the PVAT rate shall remain effective as other provinces join in the implementation of the harmonized sales taxes, provided that any such province agrees to participate using the PVAT tax rate in effect as between the participating provinces which were parties to the Agreement immediately preceding such province joining in the Agreement.
31. Where either the CVAT rate or the PVAT rate is to be changed, legislation will be introduced to implement the request in a timely manner and with an effective date as specified in the notice given under clause 15.

32. Should Canada enter into an agreement regarding harmonized sales taxes with a non-participating province under which the applicable PVAT rate could be increased above that in effect under this Agreement otherwise than in accordance with provisions similar to those specified in this Part, the parties, including the newly participating province, will enter into negotiations to determine a new procedure governing amendments to the PVAT rate to reflect common principles or set of rules regarding changes to the PVAT rate which shall apply as between all participating provinces.

PART IV

HARMONIZED TAX BASE

33. The Province agrees that the PVAT tax base must remain common with the CVAT tax base, so as to maintain a harmonized tax base as between the CVAT and the PVAT.
34. A change to the harmonized tax base may be proposed at any regular meeting of the Tax Policy Review Committee.
35. All participating provinces will exercise best efforts to reach unanimous agreement regarding any change to the harmonized tax base that may be proposed under clause 34, including the referral of outstanding issues to the dispute resolution process under Part XIV.
36. A proposal to change the harmonized tax base which would have the effect of reducing, by more than one percent, the aggregate revenues which would accrue to the participating provinces from the harmonized sales tax will not be implemented without the unanimous agreement of the participating provinces.
37. Where Canada proposes a change to the harmonized tax base that would result in an increase, by more than one percent, in the aggregate revenues which would accrue to the participating provinces and the Province provides notice, in writing, of its opposition to such a change, the proposed change to the tax base may only be implemented on the condition that Revenue Canada administer, on behalf of the Province at its request, at no charge, a refundable PVAT credit the annual value of which is not less than the increase in revenues which accrue to the Province as a result of the tax base expansion, or a point of sale rebate in respect of all the PVAT payable as a result of the base increase if such a rebate would be administratively and practically feasible.

38. When a previously non-participating province joins in the Agreement, and the aggregate tax base under the PVAT for all of the participating provinces, including the newly participating province, is greater than 50% of the tax base under the CVAT, Canada and the Province, together with the other participating provinces, will enter into negotiations to determine successor provisions to this Part so as to reflect a broader level of provincial participation while retaining the principles of consensus and revenue certainty reflected in this Part.

ALLOCATION OF REVENUES

PART V

39. The amount of revenues of the Province raised under the harmonized sales taxes shall be determined in accordance with the formulae as set forth in Annex "A" attached hereto and forming a part of this Agreement.

INTER PROVINCIAL SUPPLIES

PART VI

40. Legislation will be introduced to ensure that
- (a) the harmonized sales taxes apply to all inter provincial taxable supplies made as between the participating provinces;
 - (b) a registrant in a non-participating province is required to collect the harmonized sales taxes in respect of taxable supplies made by that registrant to a recipient in the Province; and
 - (c) supplies made by a supplier in the Province to a recipient in a non-participating province are relieved from the PVAT.

IMPOSITION OF TAX AT CANADIAN INTERNATIONAL BORDERS

PART VII

41. In this Part, unless otherwise defined for the purposes of Part IX of the *Excise Tax Act*, the term "non-commercial imported goods" means imported goods, other than goods imported into Canada for sale or for any commercial, industrial, occupational, institutional or other like use.

42. Unless otherwise provided in this Part, the importation into Canada of non-commercial imported goods which are destined for consumption by a resident (including a "seasonal resident" as defined for the purposes of the *Seasonal Residents, Remission Order, 1991*) of the Province will be subject to the PVAT in accordance with the rules generally applicable to the importation of goods into Canada under *Part IX* of the *Excise Tax Act*, and any other special rules developed for purposes of the PVAT.
43. Canada will neither assess nor collect under this agreement any product-specific tax, levy or mark-up imposed by the Province in respect of the importation of goods subject to a specific tax collection agreement between Canada and the Province.
44. The PVAT will not be applicable at the time of importation in respect of the importation into Canada of any goods other than non-commercial imported goods.
45. Goods, other than non-commercial imported goods, which are imported into Canada for consumption, use or supply in whole or in part as an exempt supply in the Province by a person will be subject to self-assessment of the PVAT by the person.
46. The Province will assess and collect, at the time of vehicle registration in the Province, any PVAT payable in respect of motor vehicles imported into Canada as non-commercial imported goods.

TAX INCLUSIVE PRICING

PART VIII

47. The Province will introduce legislation to implement Tax Inclusive Pricing requirements to facilitate consumers' awareness of the tax included price of any and all supplies prior to the point of purchase.
48. Canada will introduce legislation to implement Tax Inclusive Pricing, applicable on a national basis, regarding commercial transactions under its jurisdiction.
49. The Tax Inclusive Pricing requirements, including the effective dates and implementation thereof, shall be as set forth in the Federal-Provincial Technical Paper on the harmonized sales taxes.
50. The Province agrees that as one of the participating provinces it shall maintain substantive legislative uniformity as between the Tax Inclusive Pricing legislation of the Province and such legislation as is enacted by other participating provinces.

HARMONIZED TAX ADMINISTRATION

PART IX

51. The harmonized sales taxes will be administered initially by Revenue Canada.
52. Legislation will be introduced to establish a new agency (the "Agency") which will assume responsibility, *inter alia*, for the administration of the harmonized sales taxes.
53. Canada and the participating provinces recognize that discussions between Canada and all provinces and territories of Canada are proceeding regarding the Agency.
54. The Agency shall be designed and structured so as to promote federal-provincial partnership in the administration of the harmonized sales taxes.
55. The Agency will contribute to the following objectives:
 - (a) ensure ongoing federal-provincial participation and accountability regarding the revenue stream of the harmonized sales taxes;
 - (b) enable the pooling of federal and provincial expertise regarding sales tax administration;
 - (c) ensure the efficient and effective administration of the harmonized sales taxes and to maximize the compliance under such taxes;
 - (d) enable greater participation by the Province in the administration of other provincial taxes and programs administered by the Agency; and,
 - (e) provide advice to Canada and the Province regarding the administrative implications of legislation governing the taxes or programs that are under its administration.
56. Canada will exercise best efforts to provide a possible model of the Agency, based on continuing discussions with the provinces and territories, by December 31, 1996.
57. Canada and the Province will exercise best efforts to realize the goal of administration of the harmonized sales taxes by the Agency by January 1, 1998.

58. The administration by the Agency will not diminish provincial participation in the administration of the harmonized sales taxes from that provided by this Agreement, unless otherwise agreed to by the parties. In particular, regardless of the structure of the new Agency, federal and provincial Revenue and Finance Ministers will be fully involved in policy and administrative issues with respect to the harmonized sales taxes.
59. If the administration of the harmonized sales taxes is not assumed by the Agency, Canada and the Province, together with the other participating provinces, will review and implement measures agreed upon to achieve the objectives contemplated under this Part otherwise than through the administration by the Agency.

FEDERAL-PROVINCIAL TAX ADMINISTRATION LIAISON COMMITTEE

PART X

60. Canada and the Province, together with the other participating provinces, will establish a committee, to be called the Federal-Provincial Tax Administration Liaison Committee, the terms of reference of which are set forth in an agreement which is attached hereto as Annex "B" and, including amendments to that agreement as may be made from time to time, forms a part of this Agreement.

HUMAN RESOURCES

PART XI

61. Provision for the transfer to or employment by Revenue Canada of persons from the Province including the number of such persons, the sequencing and timing of personnel transfers or acquisitions, the work location of service sites and staff, and the conditions of employment, is contained within the agreement regarding Human Resources entered into between Canada (as represented by the Minister of National Revenue) and the Province.

EXCHANGE OF INFORMATION

PART XII

62. The exchange of information between Canada and the Province providing for co-operation, assistance and the timely exchange of such information as is necessary to ensure the efficient administration of the harmonized sales taxes, is provided for in the agreement regarding information exchange and mutual assistance entered into between Canada (as represented by the Minister of National Revenue) and the Province.

LITIGATION

PART XIII

63. Canada shall be responsible for the conduct of litigation under the harmonized sales taxes.

DISPUTE RESOLUTION

PART XIV

64. Best efforts will be exercised by federal and provincial officials to reach consensus in respect of issues arising in respect of matters governed by this Agreement.
65. Subject to clause 66, issues not resolved by federal and provincial officials shall be referred to the Minister of Finance (Canada) and the Minister of Finance of the Province and the other participating provinces.
66. Where the issue relates directly to the mandate of the Federal-Provincial Tax Administration Liaison Committee the issue shall be referred to the Minister of National Revenue (Canada) in addition to the Minister of Finance (Canada) and the Minister of Finance (and other Ministers, as appropriate) of the Province and the other participating provinces.
67. Where an unresolved issue has been referred to Ministers, the Ministers may refer the issue to a third party for consideration and advice.

AMENDMENT AND TERMINATION

PART XV

68. This agreement may only be amended by mutual agreement, in writing, subject to any necessary approvals, authorizations or legislative requirements.
69. Any amending document will form a part of this Agreement and shall be effective as of the date specified therein.
70. Canada or the Province may terminate this Agreement by written notice, effective as of the end of the eighteen month period that immediately follows the last day of the calendar quarter in which the notice of termination is received, or such other time as may be agreed to as between the parties.
71. On termination of this Agreement, all rights and obligations of Canada and the Province under this Agreement cease, except for the obligations of Canada and the Province to settle accounts relating to amounts outstanding under this Agreement.

PART XVI

GOVERNMENT PURCHASES

72. Canada and the Province agree to pay the harmonized sales taxes in respect of supplies acquired by their respective governments, agents and entities thereof.
73. Where interjurisdictional immunity from taxation applies, any harmonized sales taxes paid by Canada or the Province, as provided for in clause 72, will be subject to rebate on application to Revenue Canada, except to the extent that any such taxes are payable under any agreement regarding the reciprocal payment of sales or commodity taxes as between Canada and the Province and are not recoverable.
74. In the case of provincial government entities, any rebates payable under clause 73 shall be made on a bi-weekly basis and, at the direction of the Province, shall be paid either to the Province or to the government entity of the Province which paid the tax and which is identified as the recipient of the rebate in the application therefore.

PART XVII

MISCELLANEOUS

75. If Canada should enter into a sales tax harmonization agreement with a non-participating province on terms that differ from those of the Agreement then in effect between Canada and the Province, the parties shall, at the option of the Province acting jointly with the other participating provinces, enter into a succeeding agreement regarding harmonization on the same terms as that agreement with the other province.
76. This Agreement may be executed in counterparts each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and, notwithstanding the date of execution, will be deemed to bear date as of the date hereof. Facsimile signatures shall be accepted the same as original signatures.

The effective date of this Agreement is October 18, 1996.

IN WITNESS WHEREOF, THIS AGREEMENT IS SIGNED IN DUPLICATE, in
English and in French, each version being equally authentic,

THE GOVERNMENT OF CANADA
AT OTTAWA

THIS 18TH DAY OF OCTOBER, 1996
BY

Minister of Finance for the
Government of Canada

THE GOVERNMENT OF **X**
AT _____

THIS 18TH DAY OF OCTOBER, 1996
BY

Minister of Finance for the
Government of **X**



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